

**APN** | Property Group

# APN Funds Management Limited Audit, Risk & Compliance Committee Charter

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# Audit, Risk & Compliance Committee Charter

## 1 Purpose of the Committee

- (a) The board of directors (**Board**) of APN FM has established an Audit, Risk and Compliance Committee (**Committee**).
- (b) The purpose of the Committee is to:

### **Audit**

- (i) oversee the internal and external audit functions in respect of the Funds and review reports received from both internal and external auditors and the financial statements prepared on behalf of the Funds and APN FM (in its own capacity, where applicable);

### **Risk**

- (ii) provide a mechanism to enable the Board to focus on risk management and internal control in respect of APN FM's funds management business. However, the existence of the Committee should not be seen as implying a fragmentation or diminution of the responsibilities of the Board as a whole;
- (iii) provide reports and make recommendations to the Board in relation to the risk profile of the Funds, focusing on the material risks faced by APN FM in respect of the Funds (including risks of both a financial and non-financial nature);
- (iv) make recommendations to the Board on the establishment and implementation of APN FM's financial reporting systems and to review, at least annually, the effectiveness of APN FM's implementation of those systems;
- (v) make recommendations to the Board on the establishment and implementation of a system for identifying, assessing, monitoring and managing material risks within the organisation, including APN FM's internal compliance and control systems and to review, at least annually, the effectiveness of APN FM's implementation of those systems.

### **Compliance**

- (vi) monitor the compliance by APN FM with relevant legal and regulatory requirements, including the extent of compliance with each Fund's Compliance Plan;
- (vii) report, in accordance with clauses 3.3(b) and 3.3 (c), any actual or suspected breach of the Corporations Act involving a Fund or the provisions of a Fund's constitution as required by section 601GA of the Corporations Act;
- (viii) assess at regular intervals whether each Fund's Compliance Plan is adequate and make recommendations to the Board about any changes it considers should be made; and

- (ix) monitor compliance with APN FM's Conflicts of Interest and Related Party Transactions Policy (**Conflicts Policy**) and comply with its obligations under the Conflicts Policy.

## 2 Membership of the Committee

### 2.1 Composition and term of appointment

- (a) The Committee will be comprised of a minimum of three directors appointed by the Board. It is intended that the Committee will at all times be solely comprised of independent directors.<sup>1</sup> For as long as the Committee undertakes the compliance function described in clause 3.3, the majority of the Committee must be external directors (as that term is defined in the Corporations Act).
- (b) Members of the Committee will be appointed by the Board for a period of one year, or any other period determined by the Board.
- (c) The Board may appoint additional directors to the Committee, or remove and replace members of the Committee.
- (d) The duties and responsibilities of a member of the Committee shall be in addition to the directors' duties and responsibilities set out in the APN FM Board Charter.
- (e) All members of the Committee must be financially literate (ie able to understand financial statements).
- (f) The Committee must be comprised of members with the relevant experience as determined by the Board, provided that at least one member of the Committee has relevant financial qualifications and experience (ie a qualified accountant or other finance professional with experience in financial and accounting matters).

### 2.2 Annual report disclosure

Where APN FM acts as responsible entity of a Listed Scheme, the following material should be included in the corporate governance statement of the Listed Scheme's annual report:

- (a) the names and qualifications of those directors appointed to the Committee;
- (b) the number of meetings held by the Committee in the relevant year;
- (c) details of each Committee member's attendance at meetings of the Committee; and
- (d) a summary of this Charter.

## 3 Responsibilities of the Committee

### 3.1 Audit

#### (a) External audit

In addition to the Committee's reporting obligations under clause 6.3 of this Charter, the Committee has the following specific responsibilities in respect of each Fund's external audit requirements:

<sup>1</sup> Please refer to the APN FM Board Charter for information in relation to a director's 'independence'.

- (i) to recommend to the Board the final financial statements in respect of each of the Funds and APN FM (in its own capacity);
- (ii) to recommend to the Board the appointment and removal of the Fund's external auditors (including providing the Board with fee proposals in relation to the external auditors);
- (iii) to monitor compliance with the *Corporations Act 2001* (Cth) in relation to auditor rotation;
- (iv) to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditors;
- (v) to advise the Board as to whether the Committee is satisfied that the provision of non-audit services by the external auditors is compatible with the general standard of independence, together with an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the necessary statements required by the *Corporations Act* in the Funds' respective financial reports;
- (vi) to review, consider and advise the Board on the adequacy of the audit plan proposed by the external auditors;
- (vii) to review all of the external auditors' reports;
- (viii) to commission such enquiry by the external auditors as the Committee deems appropriate;
- (ix) to consider management's responses to matters that arise from external audits;
- (x) to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- (xi) to perform annual assessments of the auditors' compliance with any applicable laws, regulations and any other relevant requirements.

(b) **Financial statements**

The Committee has the following specific responsibilities in respect of the financial statements prepared on behalf of each of the Funds:

- (i) to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations;
- (ii) to review external auditors' reviews or audits of the Funds' financial statements and corresponding reports;
- (iii) to review accounting and reporting issues as they arise;
- (iv) to review, and advise the Board on, any disputes or issues that may arise during the course of an audit; and
- (v) to advise the Board on any material matters that arise during an audit that the Committee becomes aware of.

### 3.2 Risk management

In addition to the Committee's reporting obligations under clause 6.3 of this Charter, the Committee has the following specific responsibilities in respect of its risk management function:

- (a) to monitor the management of risks relevant to APN FM and the Funds;
- (b) to review and make recommendations to the Board regarding APN FM's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk;
- (c) to review and make recommendations to the Board on the strategic direction, objectives and effectiveness of APN FM's financial and risk management policies; and
- (d) to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

### 3.3 Compliance

In addition to the other obligations of the Committee under this Charter, the Committee has the following obligations in respect of its compliance function:

- (a) to monitor the compliance of APN FM with:
  - (i) the Corporations Act;
  - (ii) the compliance plan of each Fund;
  - (iii) the constitution of each Fund;
  - (iv) the Australian Financial Services Licence (**AFSL**) of APN FM; and
  - (v) where a Fund is a Listed Scheme, the Listing Rules;
- (b) to report to the Board any breach of the obligations listed in (a);
- (c) to report to the Australian Securities and Investments Commission (**ASIC**) if the Committee is of the view that APN FM has not taken, or does not propose to take, appropriate action to deal with a matter reported;
- (d) to assess at regular intervals whether each Fund's compliance plan is adequate;
- (e) to report to the Board on its assessment of each Fund's compliance plan; and
- (f) to make recommendations to the Board about any changes that it considers should be made to the Funds' compliance plans.

### 3.4 Conflicts of Interest and Related Party Transactions

- (a) The Committee must monitor compliance with the Conflicts Policy and comply with the obligations under the Conflicts Policy.
- (b) Without limiting its obligations under the Policy, the Committee will ensure that:
  - (i) any breach of the Conflicts Policy is noted on the compliance breach register;

- (ii) the activity which caused the breach is reviewed and any steps necessary to ensure compliance with the Conflicts Policy in the future are taken; and
- (iii) where necessary, ASIC is notified in accordance with section 912D(1) of the Corporations Act.

#### 4 The function of the Chairman

- (a) The chairman of the Committee (**Chairman**) will be an independent director appointed by the Board.
- (b) In addition to the Chairman's responsibilities as a member of the Committee, the Chairman is responsible for:
  - (i) leading the Committee in discharging its duties and responsibilities to the Board;
  - (ii) the efficient organisation and conduct of the Committee's function;
  - (iii) chairing Committee meetings and directing Committee discussions so that there is an effective use of time and that critical issues are discussed;
  - (iv) facilitating the effective contribution of all members of the Committee; and
  - (v) briefing all members of the Committee in relation to issues arising at meetings of the Committee.
- (c) The Chairman is required to commit sufficient time in order to properly discharge the role of chairman.
- (d) If the Chairman is absent from any meeting of the Committee, the members of the Committee present at the meeting shall choose one of the other members present to chair that particular meeting.

#### 5 Committee meetings

- (a) The Committee should meet as often as is deemed necessary by the members of the Committee but, in any case, not less than four times per year.
- (b) The Chairman will call a meeting of the Committee if so requested by any member of the Committee, the external auditor, the Compliance Officer or by the Chairman of the Board.
- (c) A quorum for Committee meetings is two members. Each member of the Committee has one vote.
- (d) Decisions of the Committee are decided by a majority of votes cast by members present and entitled to vote.
- (e) In the case of an equality of votes on a resolution at a Committee meeting, the Chairman will have a second or casting vote on that resolution in addition to any vote the Chairman has in his or her capacity as a member of the Committee in respect of that resolution, other than in the case where there are only two members competent to vote on the resolution at issue.

- (f) The Committee will appoint a person as Secretary of the Committee.
- (g) The external auditor will be entitled to attend all meetings of the Committee, however the external auditor is not entitled to vote on resolutions and will not be counted in determining whether a quorum is present.
- (h) The proceedings of all Committee meetings are to be minuted. Minutes of all Committee meetings are to be circulated to members and approved by the members within one month of the Committee meeting being held. The approved minutes must be signed by the chair of the meeting and a record kept with APN FM's board papers.

## **6 Authority and reporting**

### **6.1 Committee's authority**

- (a) The Committee will have authority to investigate any activity within its terms of reference or any matters specifically requested by the Board.
- (b) The Committee will be authorised by the Board to obtain outside legal or other independent professional advice as reasonably necessary.

### **6.2 Reporting lines to the Committee**

- (a) The external auditor, APN FM's Compliance Officer and other members of the management team will report to the Committee as required.
- (b) APN FM's Compliance Officer will report to the Committee on compliance issues relating to the Funds on a regular basis.
- (c) Employees of APN FM will report to the Committee through APN FM's Compliance Officer unless the Compliance Officer deems that to do so would be inappropriate.
- (d) The Committee will have a direct line of access to the Board and shall meet at least annually with representatives of the Board to discuss the effectiveness of the Committee's functions.
- (e) The Board will ensure that the Committee has unrestricted access to all records and employees (including internal audit employees) and the external auditors in respect of the Funds in order to conduct its inquiries.

### **6.3 Reporting obligations of the Committee**

- (a) The Committee will immediately report to the Board any matters that are brought to its attention which it considers are significant breaches of APN FM's risk management, audit or compliance policies (whether under APN's Breach Reporting Policy or otherwise).
- (b) A copy of the minutes of each Committee meeting is to be provided to the Board, together with any other reports prepared by the Committee.

## **7 Review of Charter**

The Committee will review this Charter from time to time to ensure it remains consistent with the Committee's objectives and responsibilities. Any changes to the Charter must be approved by the Board.

## 8 Date of adoption

This Charter was adopted by the Board in July 2016.

## 9 Definitions

In this Charter, unless the context otherwise requires:

**AFSL** means Australian Financial Services Licence.

**APN FM** means APN Funds Management Limited in its capacity as responsible entity of each of the Funds (unless this Charter provides otherwise).

**APN Group** means APN PG and any of its controlled or related entities (which includes APN FM).

**APN PG** means APN Property Group Limited.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange.

**Charter** means this charter adopted by the Committee.

**Committee** means the APN FM Audit, Risk and Compliance Committee.

**Conflicts Policy** means APN FM's Conflicts of Interest and Related Party Transactions Policy, as updated from time to time.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Listing Rules** means the listing rules of ASX.

**Recommendations** means ASX Corporate Governance Principles and Recommendations in effect from time to time.